

this means to ^30,000,000, to " give certain additional powers of issue in times of emergency/" by authorizing the bank to strengthen the reserve in the banking department by the issue of additional notes against securities, on paying to the government a high rate of interest, to be fixed by law. Mr. Goschen's proposals were much discussed, but did not result in definite action. Other proposals at various dates proved equally abortive.¹

Agitation of the subject was renewed in 1906 and acquired new vigor from the pressure caused on the London money market by the American crisis of the next year. Attention then began to be called to the deposits in the post-office savings banks, which from ^80,579,641 in 1893 increased to ^155,996,446 in 1906. It was pointed out that these deposit accounts constituted a point of attack exposed to extreme danger in case alarm should be spread among the poor or ignorant by a financial crisis. Against these deposits, which were invested in securities, the government kept no reserve at all, and was compelled even under ordinary conditions to borrow from the Bank of England on deficiency bills when withdrawals exceeded deposits.² A plan suggested for strengthening reserves by Mr. Holden of the London, City, and Midland Bank was that the government should pay off its old debt to the bank, upon which the institution was founded, in actual gold, which should be added to the reserve, but that the government should continue to pay the bank the amount of the interest previously paid on the debt. It was argued that this payment could not be construed as a subsidy to the bank, but only as proper provision by the government for the protection of the postal savings bank deposits. While cooperation among the joint stock banks to create a special reserve was often urged, such a policy bristled with difficulties arising from the severity of com-

¹ Some of these are reviewed by Sykes, in the new edition of Gilbert, *The History, Principles and Practice of Banking*, II., 430-440.

² *London Bankers' Magazine*, April, 1908, LXXXV., 527.